

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Order No.: NE-11-11

)
)
CONTINENTAL BANK)

Effective Date: February 28, 2011

)
Plymouth Meeting, Pennsylvania)
OTS Docket No. 17996)
_____)

ORDER TO CEASE AND DESIST

WHEREAS, Continental Bank, Plymouth Meeting, Pennsylvania, OTS Docket No. 17996 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Northeast Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association, its institution-affiliated parties,¹ and its successors and assigns, shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting the unsafe or unsound banking practices that resulted in:

- (a) operating the Association with an excessive level of adversely classified assets and higher-risk asset concentrations;
- (b) operating the Association with a level of capital protection that is insufficient for the volume, type, and quality of assets held by the Association; and
- (c) operating the Association with earnings that are insufficient to augment capital.

2. The Association, its institution-affiliated parties, and its successors and assigns, shall also cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting violations of the following regulations:

- (a) 12 C.F.R. § 560.93 (lending limitations; loans to one borrower); and
- (b) 12 C.F.R. § 563.43 and 12 C.F.R. § 215.4(b)(1) (loans to executive officers).

Capital.

3. Effective immediately, the Association shall have and maintain a Tier 1 (Core) Capital Ratio equal to or greater than eight percent (8 %) after the funding of an adequate Allowance for Loan and Lease Losses (ALLL) and a Total Risk-Based Capital Ratio equal to or greater than twelve percent (12%).²

¹ The term "institution-affiliated party" is defined at 12 U.S.C. § 1813(u).

² The requirement in Paragraph 3 to have and maintain a specific capital level means that the Association may not be deemed to be "well-capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 565, pursuant to 12 C.F.R. § 565.4(b)(1)(iv).

4. Within sixty (60) days, the Association shall submit a written plan for the time period of April 1, 2011 through March 31, 2014 to achieve and maintain the Association's capital at the levels prescribed in Paragraph 3 (Capital Plan) that is acceptable to the Regional Director. At a minimum, the Capital Plan shall:

- (a) detail the Association's capital preservation and enhancement strategies with specific narrative goals;
- (b) address all corrective actions set forth in the July 6, 2010 Report of Examination of the Association (2010 ROE) relating to capital;
- (c) include detailed quarterly financial projections, including Tier 1 (Core) and Total Risk-Based Capital Ratios, for the period beginning April 1, 2011 and ending March 31, 2014;
- (d) address the Association's level of classified assets, ALLL, earnings, asset concentrations, liquidity needs, and trends in the foregoing areas; and
- (e) address current and projected trends in real estate market conditions.

5. Upon receipt of written notification from the Regional Director that the Capital Plan is acceptable, the Association shall implement and adhere to the Capital Plan. A copy of the Capital Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

6. Within fifteen (15) days after: (a) the Association fails to meet the capital requirements prescribed in Paragraph 3; (b) the Association fails to comply with the Capital Plan prescribed in Paragraph 4; or (c) any written request from the Regional Director, the Association shall submit a written Contingency Plan that is acceptable to the Regional Director.

7. The Contingency Plan shall detail the actions to be taken, with specific time frames, to

achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger with, or acquisition by, another federally insured depository institution or holding company thereof; or (b) voluntary dissolution by filing an appropriate application with the OTS in conformity with applicable laws, regulations and regulatory guidance.

8. Upon receipt of written notification from the Regional Director, the Association shall implement and adhere to the Contingency Plan immediately. The Association shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency Plan by no later than the first (1st) and fifteenth (15th) of each month following implementation of the Contingency Plan.

Restrictions on Lending.

9. Effective immediately, the Association shall not, without the prior written non-objection of the Regional Director, make, increase, invest in, or purchase any construction loan, land loan, or commercial real estate (CRE) loan, except for: (a) loans guaranteed by the United States Small Business Administration where CRE is taken as collateral, (b) mortgage loans to individuals to fund the construction of their single-family residence and qualifying multifamily mortgage loans meeting the criteria for fifty percent (50%) risk weighted assets, and (c) any legally binding commitments outstanding as of September 15, 2010. The Association's request for non-objection shall be submitted to, and received by, the Regional Director at least fifteen (15) days prior to the making, increasing, investing in, or purchase of any non-exception construction loan, land loan, or CRE loan.

10. Notwithstanding the restrictions set forth in Paragraph 9 above, the Association may refinance, extend, or otherwise modify any existing construction loan, land loan, or CRE loan, so long as no new funds are advanced and there is no release of collateral.

Classified Assets.

11. Within sixty (60) days, the Association shall submit a detailed, written plan with specific strategies, targets and timeframes to reduce³ the Association's level of classified assets (Classified Asset Reduction Plan) that is acceptable to the Regional Director. The Classified Asset Reduction Plan, at a minimum, shall include:

- (a) quarterly targets for the level of classified assets as a percentage of Tier 1 (Core) capital plus ALLL;
- (b) a description of the methods for reducing the Association's level of classified assets to the established targets; and
- (c) all relevant assumptions and projections based on a best-case scenario, a worst-case scenario, and a most probable case scenario, and documentation supporting such assumptions and projections.

12. Upon receipt of written notification from the Regional Director that the Classified Asset Reduction Plan is acceptable, the Association shall implement and adhere to the Classified Asset Reduction Plan. The Board's review of the Classified Asset Reduction Plan shall be documented in the Board meeting minutes. A copy of the Classified Asset Reduction Plan shall be provided to the Regional Director within fifteen (15) days of adoption by the Board.

13. Within forty-five (45) days after the end of each quarter, beginning with the quarter

³ For purposes of this Paragraph, "reduce" means to collect, sell, charge off, or improve the quality of an asset sufficient to warrant its removal from adverse criticism or classification.

ending March 31, 2011, the Association shall submit a quarterly written asset status report (Quarterly Asset Report) to the Board. The Board's review of the Quarterly Asset Report shall be documented in the Board meeting minutes. The Quarterly Asset Report shall include, at a minimum:

- (a) a comparison of classified assets to Tier 1 (Core) capital plus ALLL and Total Risk-Based capital;
- (b) a comparison of classified assets at the current quarter end with the preceding quarter;
- (c) an assessment of the Association's compliance with the Classified Asset Reduction Plan;
- (d) a discussion of the actions taken during the preceding quarter to reduce the Association's level of classified assets; and
- (e) any recommended revisions or updates to the Classified Asset Reduction Plan.

14. Within fifteen (15) days of the Board's review each quarter, a copy of the Quarterly Asset Report shall be provided to the Regional Director.

Concentrations of Assets.

15. Within sixty (60) days, the Association shall revise its written program for identifying, monitoring, and controlling risks associated with concentrations of assets (Assets Concentration Program) that it is acceptable to the Regional Director and addresses all corrective actions set forth in the 2010 ROE relating to concentrations of assets. The Assets Concentration Program shall comply with all applicable laws, regulations and regulatory guidance and shall:

- (a) establish comprehensive concentration limits expressed as a percentage of Tier 1 (Core) Capital plus allowance for loan and lease losses (ALLL), and document the appropriateness of such limits based on the Association's risk profile;
- (b) establish stratification categories of the Association's concentrations of assets for construction loans, land loans, CRE loans, and business loans, including related exposure to off-balance sheet commitments and unused lines of credit, and establish enhanced risk analysis, monitoring, and management for each stratification category;
- (c) continue specific review procedures and reporting requirements, including written reports to the Board, designed to identify, monitor, and control the risks associated with concentrations of assets and periodic market analysis for the various property types and geographic markets represented in its portfolio; and
- (d) contain a written action plan, including specific time frames, for bringing the Association into compliance with its concentration of assets limits.

16. Within sixty (60) days, the Association shall submit the Assets Concentration Program to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the Assets Concentration Program is acceptable, the Association shall implement and adhere to the Assets Concentration Program. The Board's review of the Assets Concentration Program shall be documented in the Board meeting minutes.

17. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the appropriateness of the Association's concentration limits given current conditions and the Association's compliance with its Assets Concentration Program. The Board's review of the Assets Concentration Program shall be documented in the Board meeting minutes.

Business Plan.

18. Within sixty (60) days, the Association shall submit an updated comprehensive business plan, which covers the period of April 1, 2011 to March 31, 2014 (Business Plan) that is acceptable to the Regional Director and addresses all corrective actions in the 2010 ROE relating to the Association's Business Plan. At a minimum, the Business Plan shall conform to applicable laws, regulations and regulatory guidance and include:

- (a) plans to reduce exposure to higher-risk assets, control balance sheet growth, improve the Association's earnings, and achieve profitability on a consistent basis throughout the term of the Business Plan;
- (b) quarterly pro forma financial projections (balance sheet, regulatory capital ratios, and income statement) for each quarter covered by the Business Plan that are presented in a format consistent with the Thrift Financial Report (TFR); and
- (c) identification of all relevant assumptions made in formulating the Business Plan and a requirement that documentation supporting such assumptions be retained by the Association.

19. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Association shall implement and adhere to the Business Plan. A copy of the Business Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within fifteen (15) days after the Board meeting.

20. Any material modifications⁵ to the Business Plan must receive the prior written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

21. Within thirty (30) days after the end of each quarter, after implementation of the Business Plan, the Board shall review quarterly variance reports on the Association's compliance with the Business Plan (Business Plan Variance Reports). The Business Plan Variance Reports shall:

- (a) identify variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken to address identified variances.

22. A copy of the Business Plan Variance Reports and Board meeting minutes shall be provided to the Regional Director within fifteen (15) days after the Board meeting.

Violations of Law.

23. Within sixty (60) days, the Association shall ensure that all violations of law and/or regulation discussed in the 2010 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

Brokered Deposits.

24. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b). The Association shall provide to the Regional Director a copy of any waiver request submitted to the Federal Deposit Insurance Corporation (FDIC).

⁵ A modification shall be considered material under this Paragraph of the Order if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%).

Growth.

25. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director. The growth restriction imposed by this Paragraph shall remain in effect until the Association receives the Regional Director's notice of non-objection to the Business Plan, including the growth projections contained therein, pursuant to Paragraph 19 of this Order.

Dividends and Other Capital Distributions.

26. Effective immediately, the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

Directorate and Management Changes.

27. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers⁶ set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

28. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty

⁶ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

(30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

Golden Parachute and Indemnification Payments.

29. Effective immediately, the Association shall not make any golden parachute payment⁷ or prohibited indemnification payment⁸ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Transactions with Affiliates.

30. Effective immediately, the Association shall not engage in any transaction with an affiliate unless, with respect to each such transaction, the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(4), which shall include the information set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate for which notice is submitted pursuant to this Paragraph, complies with the requirements of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223.

⁷ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

⁸ The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

Board Oversight of Compliance with Order.

31. Effective immediately, the Board shall monitor and coordinate the Association's compliance with the provisions of this Order and the completion of all corrective actions required in the 2010 ROE. The Board shall review and adopt all policies and procedures required by this Order prior to submission to the OTS.

32. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Order and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

33. Within sixty (60) days at the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within fifteen (15) days after the Board meeting.

34. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order.

Effective Date, Incorporation of Stipulation.

35. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

36. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

37. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

38. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

39. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

40. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (a) To the OTS:
Office of Thrift Supervision
Attn: Michael E. Finn
Regional Director, Northeast Region
Harborside Financial Center Plaza Five
Suite 1600
Jersey City, NJ 07302
Fax: (201) 413-7543
- (b) To the Association:
Attn: H. Wayne Griest, President
Continental Bank
620 West Germantown Pike, Suite 350
Plymouth Meeting, PA 19462
Fax: (610) 684-4306

No Violations Authorized.

41. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	
)	Order No.: NE-11-11
)	
CONTINENTAL BANK)	Effective Date: February 28, 2011
)	
Plymouth Meeting, Pennsylvania)	
OTS Docket No. 17996)	
)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Northeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Continental Bank, Plymouth Meeting, Pennsylvania, OTS Docket No. 17996 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).
2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its July 6, 2010 examination of the Association (2010 ROE), the OTS finds that the Association has engaged in unsafe or unsound banking practices, including:
 - (a) operating the Association with an excessive level of adversely classified assets and higher-risk asset concentrations;
 - (b) operating the Association with a level of capital protection that is insufficient for the volume, type, and quality of assets held by the Association; and
 - (c) operating the Association with earnings that are insufficient to augment capital.
4. Based on its 2010 ROE of the Association, the OTS finds that the Association has engaged in violations of law and regulation, including:
 - (a) 12 C.F.R. § 560.93 (lending limitations; loans to one borrower); and
 - (b) 12 C.F.R. § 563.43 and 12 C.F.R. § 215.4(b)(1) (loans to executive officers).

Consent.

5. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

6. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

7. The Association waives the following:
- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
 - (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
 - (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
 - (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

8. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

9. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 8 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

10. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

11. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

12. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

13. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

14. The terms of this Stipulation and of the Order represent the final agreement of the parties

with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

15. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

16. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to the OTS, along with the executed original(s) of this Stipulation.

[Remainder of Page Intentionally Left Blank]

WHEREFORE, the Association, by its directors, executes this Stipulation.

CONTINENTAL BANK
Plymouth Meeting, Pennsylvania

By: _____/s/_____
W. Kirk Wycoff
Chairman

_____/s/_____
Michael J. Clement, Director

_____/s/_____
William O. Daggett, Jr., Director

_____/s/_____
Michael A. DiPiano, Director

_____/s/_____
H. Wayne Griest, Director

_____/s/_____
G. Daniel Jones, Director

_____/s/_____
Arthur J. Kania, Director

_____/s/_____
Kevin J. Silverang, Director

_____/s/_____
John Surgent, Director

_____/s/_____
Charles J. Tornetta, Director

Accepted by:
OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
Michael E. Finn
Regional Director, Northeast Region

Date: See Effective Date on page 1